

**MINUTES OF MEETING OF THE CORPORATIONS COMMITTEE**  
**December 1, 2006**

A regular meeting of the Corporations Committee (the "Committee") of the Business Law Section of the State Bar of California was held at the Los Angeles Airport Marriott on December 1, 2006. Attendance was as follows:

**MEMBERS PRESENT:**

Derrick W. Britt  
Edward A. Deibert  
Bruce Deming  
Christopher Delfino  
Samuel C. Dibble  
Sharon R. Flanagan  
Michael J. Froch  
Steve Harmon  
Brian Lebrecht  
Barbara Mathews  
Mike Occhiolini\*  
William R. Sawyers  
Rose Sorensen  
Jennifer Sostrin  
Steven Stokdyk  
James J. Thompson  
Suzanne Weakley\*  
Russ Wood\*

**MEMBERS ABSENT:**

Nelson Crandall  
Matthew Gemello  
Peter Heinecke  
Nina Hong  
Lemoine Skinner, III  
Deborah J. Rousch  
Peter Wardle

**LIAISONS AND GUESTS PRESENT:**

Tim Le Bas – Department of Corporations\*  
Steve Hazen – Executive Committee  
Andrew Petillon - SEC\*  
Marte Castanos -- CalPERS\*

\*Via Telephone

The minutes summarize discussion primarily in the order items were listed on the Agenda for the meeting previously circulated to members of the Committee, which is not necessarily the order in which the items were actually taken up at the meeting. The Committee did not take up those topics listed on the Agenda that are not described in these minutes.

**I. Administrative Matters**

1. Opening Remarks: The meeting was called to order by Co-Chair Deming at 9:30. All members, liaisons and guests introduced themselves. January meeting to be held by conference call in San Francisco and Los Angeles at the offices of Deming and Sostrin, respectively. Mr. Deming discussed article posted to extranet re metadata.

2. Approval of Minutes: Minutes of November meeting approved.
3. Guest Policy: Mr. Hazen commenced a discussion regarding the Business Law Section's guest policy.

## II. Agency and Liaisons' Reports

1. Department of Corporations: Mr. Le Bas reported on the Commissioners Release concerning the Nasdaq global market. He noted that the upcoming March meeting of the Committee will be held at the Department of Corporations. Deming solicited volunteers for technical review of such Nasdaq rules. Edward Deibert and Sharon Flanagan volunteered.

2. Securities and Exchange Commission: Mr. Pettillon reported that there is no news to report. Section 404 of Sarbanes and internet proxy discussion at upcoming meeting on December 13.

3. NASD: No report.

4. Office of Governmental Affairs: No report

5. Securities and Exchange Commission: Mr. Pettillon reported that the SEC was expected to announce action on e-proxy delivery and further guidance on section 404 at the SEC's open meetings schedule for December 13, 2006.

6. NASD: No report.

7. Department of Corporations: March meeting to be held in Sacramento at the Department of Corporations. Committee to determine. Mr. Le Bas discussed the compensatory plan rules and indicated information is online in respect of the same (public comment period expires December 15, 2006). Mr. Le Bas also discussed other proposed rulemaking items and corresponding comment periods. Le Bas covered items 1 and 3 in Section V below.

### 6. BLS Committee Liaison Reports:

A. ADR: Lebrecht reported that the ADR Committee is focused on CLEs and webinar programs, and looks to opportunities to work with other state bar committees.

B. Corporate Law Departments: Ms. Mathews and Ms. Sorensen reported on the progress of the Corporate Law Departments ("CLD"). Ms. Mathews noted that CLD is working on e-bulletins and an updated website, and is currently targeting three CLE programs: (1) option back-dating issues, (2) handling media during times of crises and hiring a media consultant, (3) liability insurance and (4) technology licensing.

C. Cyberspace Law: Mr. Thompson had nothing new to report.

D. Financial Institutions: Mr. Occhiolini had nothing new to report.

E. Non-Profit Corporations: Mr. Sawyers reported on the last meeting of the Non-Profit Corporations Committee, and covered, in part, issues relating to unwinding non-profits. Mr. Hazen remarked that the last meeting was held in person with significant attendance.

F. Partnerships and LLCs: Mr. Britt had nothing new to report.

G. UCC: No report.

H. Executive Committee: Mr. Hazen reported on the orientation session recently held in Del Mar.

### III. SUBCOMMITTEE REPORTS

1. Legislation: Mr. Harmon reported on recent legislation.

A. ALP re Corporate Disclosure Act (CDA): ALP resides with Mr. Doyle to locate a legislative sponsor following approval by the Board of Governors. California Chamber of Commerce contacted Ms. Mathews on behalf of the SCE to inquire as to whether SCE has any input in respect of the CDA. California Bankers Association indicated general support for CDA, but recommended certain exemptions and other changes. Mr. Harmon followed up with a contact at the California Bankers Association. Recommended to coordinate with Financial Institutions Committee. Mr. Deming solicited volunteers and Mr. Deibert and Mr. Dibble agreed to assist.

B. ALP re Close Corps: No further report, as previously addressed by Mr. Hazen.

C. Section 800: Relates to derivative lawsuit requirements. Recommended to communicate further with litigation section of the state bar. Litigation section believes this is not an appropriate measure for the state bar to undertake. Committee agreed not to move forward.

D. Section 1800: Statute relates to standing to file suit in connection with involuntary dissolution actions. Mr. Britt and Mr. Flanagan reported on recent appellate court case and agreed that this is not appropriate for an ALP. Committee agreed not to move forward.

E. Jury Trial/Grafton: Recommended to communicate further with litigation section of the state bar. Litigation section believes this is not an appropriate measure for the Committee to undertake. Committee agreed not to move forward.

F. New Legislation Update: Mr. Harmon covered summaries of bills enacted in memorandum format available on the Secretary of State's website.

G. Proposed Topics for New ALPs: Mr. Harmon encouraged Committee members soliciting ideas for new ALPs. Certain new topics were proposed, including: Mr. Deming's proposals to address (1) clarifying when spousal consents are required in context of corporate transactions, Family Code Sections 1100 et seq. Mr. Stokdyk recommended approaching the family law section of the state bar. Susan Orloff is the coordinator for the Business Law Section and Family Law Section, and as such, she will be approached initially, and (2) two step cash tender/ merger and issues relative to unanimous approval. Mr. Deming solicited volunteers: Mr. Stokdyk and Mr. Dibble offered to assist. The Committee also gave further consideration to a proposal to amend Section 2115 (internal affairs doctrine) (Mr. Hazen provided added commentary on such proposal). Mr. Deming solicited volunteers: Mr. Lebrecht and Ms. Flanagan offered to assist.

2. Communications/ Website:

E-bulletin topics: Mr. Delfino reported on the meeting of the e-bulletin committee. All e-bulletins are required to run through Susan Orloff and other reps at the state bar. Ms. Sorensen reported on proposed topics, including elimination of tax clearance certificate requirement, stock option regulatory reforms, Federal Rules of Evidence 502, etc. Mr. Delfino solicited volunteers to assist in connection with the preparation of the e-bulletin. Mr. Britt volunteered to prepare an e-bulletin for the tax clearance matter.

Relocation to Extranet: Currently hosted by Fulbright but will ultimately be relocated.

Website: Mr. Delfino reported that he is in the process of updating the website.

3. Education/ Publications: No report. Mr. Harmon commented on an upcoming speaking opportunity on Sunday, January 21 from 10:15 to 12:15 at the Claremont Hotel in Oakland. CLE presentation regarding legislative and business developments for California corporate counsel and solicited volunteers. Mr. Deming volunteered.

4. Litigation: Mr. Deibert had nothing new to report.

IV. ONGOING PROJECTS:

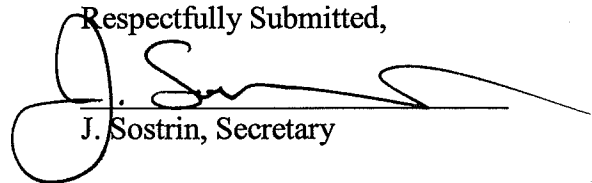
1. Comment letter of finders in securities transactions: Mr. Lebrecht provided a detailed report concerning the Committee's comment letter to the Department of Corporations (DOC) which responds to whether the DOC should adopt an exemption and/or limited registration system for finders and private placement broker-dealers. Mr. Hazen and Mr. Lebrecht to coordinate in terms of timing for submission of the proposal to the executive committee.

2. Comment letter on 25102(o) reform: Mr. Occhiolini provided a report concerning our support of the same, subject to certain additional proposed changes, and invited comments to the group. Committee's changes are technical in nature. Mr. Hazen noted that the title of the

letter should incorporate the concept of support with suggestion for additional changes. Should be submitted to Keith Bishop.

3. Section 2115 Project: Previously discussed.
  4. Privilege Issues: Mr. Wood reported on a letter to the advisory committee concerning Federal Evidence Rules 502. Mr. Hazen discussed Office of Inspector General of Legal Services Corporation's request to California Rural Legal Assistance for client information, raising privilege issues and what is subject to disclosure under the California Business Code.
  5. Venture Capital Opinion Project: Mr. Wood noted that there are comments that are currently being reviewed.
  6. Amendments re director voting: Mr. Wood reported that there is nothing new to report.
- V. NEW BUSINESS: Mr. Wood reported that there is no new business to discuss.

Respectfully Submitted,



J. Sostrin, Secretary

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